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AMERICAN TECHNICAL CERAMICS CORP.

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

PRESIDIO COMPONENTS, INC., Plaintiff, v. AMERICAN TECHNICAL CERAMICS CORPORATION, Defendant.	Case No. 3:08-cv-00335-IEG-NLS **ANSWER AND COUNTERCLAIM OF AMERICAN TECHNICAL CERAMICS CORP. IN RESPONSE TO PLAINTIFF'S COMPLAINT** **DEMAND FOR JURY TRIAL** Courtroom 1, 4th Floor Chief Judge Irma E. Gonzalez
AMERICAN TECHNICAL CERAMICS CORP., Counter-Claimant, v. PRESIDIO COMPONENTS, INC., Counter-Defendant.	

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Defendant American Technical Ceramics Corp. ("ATC") hereby answers the Complaint filed by Plaintiff Presidio Components, Inc. ("Presidio" or "Plaintiff") as follows:

JURISDICTION AND VENUE

1. ATC admits that Presidio purports to state a claim under the Patent Laws of the United States, Title 35, United States Code and that this court has subject matter jurisdiction over this action under 28 U.S.C. §§ 1331 and 1338(a). ATC further admits that, for the sole purpose of this action, the Court has personal jurisdiction over ATC.

2. ATC admits that, for the sole purpose of this action, venue in this Court is proper.

THE PARTIES

3. ATC lacks sufficient knowledge or information to form a belief as to the truth of the allegations contained in paragraph 3 of the Complaint and, therefore, denies such allegations.

4. ATC admits that it is a Delaware corporation having a place of business at 1 Norden Lane, Huntington Station, New York 11746, and that it imports, manufactures, offers for sale and/or sells capacitors referred to as "545L" that include a ceramic material. ATC denies the remaining allegations of paragraph 4 of the Complaint.

PRELIMINARY ALLEGATIONS

5. ATC lacks sufficient knowledge or information to form a belief as to the truth of the allegations of paragraph 5 of the Complaint and, therefore, denies such allegations.

6. ATC admits that U.S. Patent No. 6,816,356 ("the `356 Patent") is entitled "Integrated Broadband Ceramic Capacitor Array" and that a copy of the `356 Patent is attached as Exhibit 1 to the Complaint. ATC specifically denies that the `356 Patent was duly and legally issued on November 9, 2004. ATC lacks sufficient knowledge or information to form a belief as to the truth of the remaining allegations of paragraph 6 of the Complaint and, therefore, denies such allegations.

7. ATC lacks sufficient knowledge or information to form a belief as to the truth of the allegations of paragraph 7 of the Complaint and, therefore, denies such allegations.

8. ATC admits that it has manufactured and sold, and is currently manufacturing and offering for sale, capacitors referred to as 545L that include a ceramic material.

FIRST CLAIM FOR RELIEF

(Alleged Infringement of U.S. Letters Patent No. 6,816,356)

9. ATC's answers to the allegations of paragraphs 1-8 are incorporated herein by reference as though fully set forth herein.

10. Denied.

11. Denied.

12. Denied.

ATC'S DEFENSES

For its defenses to the allegations of the Complaint, ATC avers as follows:

DEFENSE OF NON-INFRINGEMENT

13. ATC has not infringed, actively induced infringement and/or contributorily infringed and is not infringing, in any manner, any valid and enforceable claim of the `356 Patent.

14. No claim of the `356 Patent can be properly construed in a manner to read upon the manufacture, use, sale, importation or offer for sale of ATC's 545L capacitor, or the capacitor per se, and remain valid.

15. Presidio is estopped by the prosecution history of the `356 Patent and its related applications from asserting that ATC has infringed, actively induced infringement and/or contributorily infringed or is infringing, in any manner, the `356 Patent or any valid and enforceable claim thereof.

16. Neither ATC nor any of its products infringe any claim of the `356 Patent.

FIRST AFFIRMATIVE DEFENSE

(Patent Invalidity)

17. The claims of the `356 Patent are invalid for failure to meet one or more of the requirements for patentability set forth in 35 U.S.C. § 101 et seq., including, but not limited to, 35 U.S.C. §§ 102, 103 and/or 112.

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SECOND AFFIRMATIVE DEFENSE

(Unenforceability Due to Inequitable Conduct)

18. U.S. Patent Application No. 10/412,992 ("the `992 Application"), which matured into the `356 Patent, was filed with the United States Patent and Trademark Office ("U.S.P.T.O.") on April 14, 2003 as a continuation-in-part of parent U.S. Patent Application No. 10/150,202 ("the Parent Application"), filed on May 17, 2002. The `992 Application and the Parent Application list the same three inventors – Daniel Devoe, Alan Devoe and Lambert Devoe. Both the `992 Application and the Parent Application were prosecuted before the U.S.P.T.O. by the law firm of Wood, Herron & Evans, L.L.P. ("the WHE Firm").

19. Through the WHE Firm, the inventors filed an Information Disclosure Statement ("IDS") with the U.S.P.T.O. on July 23, 2002 in the Parent Application, stating that the following allegedly "experimental" activity occurred more than one year before the filing date of the Parent Application (i.e., prior to May 17, 2001): (i) the inventors' company, Presidio Components, Inc., was contacted by representatives of JDS Uniphase of Melbourne, Florida ("JDSU"); (ii) JDSU sought an improved broadband capacitor, to be used in a combination such as that shown in FIGS. 8A and 8B of the `356 Patent; (iii) the inventors proposed and JDSU agreed to an alternative approach centered around the allegedly "experimental development" of an integrated device, including what were "expected to be" independent multi-layer and single-layer capacitors; (iv) JDSU agreed to pay a "non recoverable engineering" charge of $1500.00 each, for two batches of 100 "experimental" capacitors in different sizes; (v) the capacitors were built in accordance with FIG. 9A of the `356 Patent; and (vi) the capacitors were shipped to JDSU. The inventors additionally alleged that they did not have any significant test results at the time the capacitors were shipped to JDSU.

20. Upon information and belief, the inventors, through the WHE Firm, made knowing and willful misrepresentations regarding the alleged "experimental" nature of the above-described activity that transpired between the inventors' company and JDSU to prevent the Patent Examiner from correctly assessing these events (or this activity) and classifying this activity as an "On Sale Bar" and/or creating prior art to the Parent Application. The inventors also knowingly and willfully

withheld certain facts from the Patent Examiner which alone or in combination would have revealed that this activity established prior art and/or an "On Sale Bar" to the Parent Application, including, inter alia, whether there was a secrecy obligation between and/or among the inventors, the inventors' company and JDSU (significantly, the IDS did not allege the existence of any such secrecy obligation), the amount or lack of control retained by the inventors over the alleged experiment, whether the allegedly experimental capacitors were used commercially and/or provided for commercial purposes, whether the testing of the allegedly experimental capacitors led to specific refinements of the capacitors, details regarding the inventors' knowledge of the performance of the capacitors prior to May 17, 2001 (when test plots allegedly were first delivered by JDSU to the inventors), and whether commercial documents (e.g., orders, invoices, receipts, price lists, delivery schedules, etc.) were prepared by the parties.

21. As this activity relates to the capacitor structure shown in FIG. 9A of the `356 Patent, it is clearly material to patentability. But for these misrepresentations and omissions in the Parent Application, which misrepresentations and omissions carried through to the `992 Application, the `356 Patent would not have issued from the U.S.P.T.O. These misrepresentations and omissions evidence an intent to deceive the U.S.P.T.O.

22. The IDS filed by the inventors also alleges that on May 17, 2001 (i.e., exactly one year before the filing date of the Parent Application), JDSU stated a belief that the capacitors built in accordance with FIG. 9A performed better than JDSU's existing solutions. Upon information and belief, commercial and sales activity transpired between the inventors' company and JDSU subsequent to May 17, 2001 including, inter alia, additional sales to JDSU of capacitors built in accordance with one or more of FIGS. 9A-13 of the `356 Patent. While this commercial and sales activity may not be prior art to the Parent Application (e.g., due to its occurrence less than one year prior to the filing date of the Parent Application as provided for by 35 U.S.C. § 102(b)), this activity is prior art to the added subject matter of the `992 Application, which is a continuation-in-part of the Parent Application. As this activity relates to the capacitor structures shown in one or more of FIGS. 9A-13 of the `356 Patent, it is clearly material to patentability. The inventors, however, did not disclose this commercial and sales activity to the U.S.P.T.O. during prosecution of the '992

Application. Their failure to make such a disclosure was done knowingly and willfully and evidences an intent to deceive the U.S.P.T.O.

23. The inventors, by their WHE attorneys, also made knowing and willful misrepresentations to the U.S.P.T.O. regarding the prior art. Specifically, in an Amendment and Response filed on January 23, 2003 in the Parent Application, it was stated, inter alia, that the capacitor disclosed in Monsorno, U.S. Patent No. 5,576,926 ("the Monsorno Patent"), "has an equivalent circuit that is represented by the capacitors 67, 69 in Fig. 9B" of the Parent Application, which is the same as FIG. 9B of the `356 Patent. The inventors, upon information and belief, knowingly and willfully withheld the fact that the capacitor disclosed in the Monsorno Patent additionally includes, inter alia, a fringe-effect capacitance. These misrepresentations and omissions are material to the patentability of at least the claims of the `356 Patent that recite a "fringe-effect capacitance." Significantly, in the Office Action dated April 1, 2004 in the `992 Application, the Patent Examiner's stated reason for allowing claims 1-20 hinged on the Examiner's mistaken belief that the prior art does not teach or fairly suggest the feature of a "second contact being located sufficiently close to the first contact to form a first fringe effect capacitance with the first contact." Thus, the `356 Patent would not have issued but for these misrepresentations and omissions, which further evidence an intent to deceive the U.S.P.T.O.

24. The inventors knowingly and willfully misrepresented in the specification of the `356 Patent, inter alia, that relative to FIG. 9A the capacitor structure of FIG. 10A "create[s] a capacitance between plates 72 and 74 based on fringe electric field extending to and from the adjacent edges of those plates." This fringe-effect capacitance is shown in FIG. 10B of the `356 Patent as capacitance 79. The inventors knowingly and willfully withheld from the Patent Examiner the fact that the capacitor shown in FIG. 9A must also have a fringe-effect capacitance. These misrepresentations and omissions were material to patentability of the `356 Patent because (i) the Patent Examiner's reason for allowing claims 1-20 of the `356 Patent hinged on the inclusion of a fringe effect capacitance in the capacitor structure, and (ii) upon information and belief, capacitors built in accordance with FIG. 9A were the subject of activity which constitutes prior art to the `356

Patent. But for these misrepresentations and omissions, the `356 Patent would not have issued from the U.S.P.T.O.

25. The inventors also knowingly and willfully withheld from the Patent Examiner the fact that the capacitor shown in FIG. 2A (labeled "PRIOR ART") of the `356 Patent includes a fringe-effect capacitance. This omission was also material to the patentability of the `356 Patent at least because (i) the Patent Examiner's reason for allowing claims 1-20 of the `356 Patent hinged on the inclusion of a fringe effect capacitance in the capacitor structure, and (ii) the FIG. 2A capacitor was admitted prior art. But for this omission, the `356 Patent would not have issued from the U.S.P.T.O. This omission further evidences a pattern of intentional deceit.

26. For at least the foregoing reasons, the `356 Patent is unenforceable due to inequitable conduct.

THIRD AFFIRMATIVE DEFENSE

(Failure to Mark or Give Notice)

27. Upon information and belief, any claim by Presidio for damages for patent infringement is limited by 35 U.S.C. § 287 to those damages occurring after notice of alleged infringement.

FOURTH AFFIRMATIVE DEFENSE

(Reservation of Rights)

28. ATC reserves the right to assert any and all additional affirmative defenses that may be ascertained during the course of discovery, including, but not limited to, laches, unclean hands, waiver, misuse, etc.

COUNTERCLAIM

ATC, as and for its Counterclaim against Plaintiff, avers upon its own knowledge as to itself and otherwise upon information and belief as follows:

29. ATC is a Delaware corporation having a place of business at 1 Norden Lane, Huntington Station, New York 11746.

30. Presidio is a California corporation having its principal place of business at 7169 Construction Court, San Diego, CA 92121.

31. Jurisdiction as to this Counterclaim is proper under 28 U.S.C. §§ 1331, 1338(a), 1367, 2201 and 2202.

32. Presidio has consented to this venue by filing this action for patent infringement before this Court.

33. Last year, on May 17, 2007, Presidio commenced an action against ATC in this Court alleging that "ATC has infringed and continues to infringe, and/or induce and/or contribute to the infringement of … one or more claims of the `356 patent by its manufacture, use, offer for sale, sale and/or importation into the United States, of ceramic capacitors referred to as 545L." See Exhibit A. The complaint filed in the instant action is a mirror-image of the May 17th complaint.

34. Prior to Presidio filing its action on May 17, 2007, ATC had been actively engaged in discussions with several prospective bidders regarding the sale of its business.

35. Upon information and belief, Presidio had knowledge of these discussions prior to May 17, 2007 and was aware of the likelihood that ATC would be acquired by a larger player in the electronic components industry.

36. Upon information and belief, Presidio in haste filed the May 17, 2007 lawsuit as an attempt to chill any relationships between ATC and any of its potential buyers. Upon information and belief, Presidio did not conduct a reasonable inquiry into its allegations set forth in its May 17, 2007 complaint, particularly with respect to its ownership of the `356 Patent. Presidio alleged in its May 17th complaint that it was the owner of the `356 Patent. In its answer of July 11, 2007, ATC questioned Presidio's standing to bring the lawsuit, stating that "[u]pon information and belief, Presidio lacks standing to bring this action." Presidio did not respond in any way to ATC's inquiry as to ownership of the `356 patent and proceeded to fully litigate the May 17th action.

37. On February 5, 2008, the inventors of the `356 Patent, namely Daniel Devoe, Alan Devoe and Lambert Devoe, executed a written assignment "assigning nunc pro tunc, as of the date of filing of the below-named invention … [the] entire right, title and interest throughout the world in the inventions and improvements which are subject of [the] application for United States Patent filed April 14, 2003 as application Serial No. 10/412,992 …." See Exhibit B. Upon information and belief, Presidio did not possess any ownership rights in the `356 Patent prior to and until the

assignment executed on February 5, 2008. Presidio did not inform the Court or ATC of the February 5, 2008 assignment until May 8, 2008, at the Markman hearing for the May 17th action, when Presidio's counsel served ATC with the complaint for the instant action and a motion to consolidate the May 17th action with this action.

38. An actual controversy now exists between Presidio and ATC with respect to the noninfringement, invalidity and unenforceability of the `356 Patent.

COUNT ONE

(Declaration of Noninfringement of the `356 Patent)

39. ATC incorporates by reference paragraphs 1-38 above as though fully set forth herein.

40. The `356 Patent is not infringed by ATC's 545L capacitor.

41. Presidio admitted in its "Supplemental Disclosure of Asserted Claims and Preliminary Infringement Contentions Re: U.S. Patent No. 6,816,356" dated December 11, 2007 in Case No. 3:07-cv-00893-IEG-NLS ("Presidio's PICs") that "none of claims 1-5, 16, or 18-19 [of the '356 patent] is embodied in Presidio Components, Inc.'s products." A copy of Presidio's PICs is attached hereto as Exhibit C.

42. Presidio is not entitled to damages for lost profits on its products.

43. ATC has been injured and damaged by Presidio having filed the Complaint asserting a patent that is not infringed by ATC.

44. Presidio has made a public announcement of this suit in an attempt to harm ATC's business. A copy of this announcement is attached hereto as Exhibit D.

45. Absent a Declaration that the `356 Patent is not infringed under 35 U.S.C. § 271 and/or that Presidio may not otherwise make such a claim, Presidio will continue to wrongly assert the `356 Patent against ATC before this Court and in a public forum, thereby continuing to damage ATC.

46. Declaratory relief is both appropriate and necessary to establish that the `356 Patent is not infringed by ATC's 545L capacitor, and thus cannot be asserted against ATC.

COUNT TWO

(Declaration of Invalidity of the `356 Patent)

47. ATC incorporates by reference paragraphs 1-46 above as though fully set forth herein.

48. The claims of the `356 Patent are invalid for failure to meet one or more of the requirements for patentability set forth in 35 U.S.C. § 101 et seq., including, but not limited to, 35 U.S.C. §§ 102, 103 and/or 112.

49. ATC has been injured and damaged by Presidio having filed the Complaint asserting a patent that is invalid.

50. Absent a Declaration that the `356 Patent is invalid, Presidio will continue to wrongly assert the `356 Patent against ATC, thereby damaging ATC further.

51. Declaratory relief is both appropriate and necessary to establish that the `356 Patent is invalid, and thus cannot be asserted against ATC.

COUNT THREE

(Declaration of Unenforceability of the `356 Patent)

52. ATC incorporates by reference paragraphs 1-51 above, including specifically paragraphs 18-26, as though fully set forth herein.

53. For at least the foregoing reasons, the `356 Patent is unenforceable due to inequitable conduct.

54. ATC has been injured and damaged by Presidio having filed the Complaint asserting a patent that is unenforceable.

55. Absent a Declaration that the `356 Patent is unenforceable, Presidio will continue to wrongly assert the `356 Patent against ATC, thereby damaging ATC further.

56. Declaratory relief is both appropriate and necessary to establish that the `356 Patent is unenforceable, and thus cannot be asserted against ATC.

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COUNT FOUR

(Interference with Contractual Relations)

57. ATC incorporates by reference paragraphs 1-56 above as though fully set forth herein.

58. At the time of filing of Presidio's lawsuit on May 17, 2007, ATC had ongoing sales relationships and supply contracts with numerous companies for ATC's 545L capacitors.

59. Upon information and belief, Presidio had at least general knowledge of these ongoing sales relationships and supply contracts for 545L capacitors prior to May 17, 2007 when Presidio filed its complaint.

60. ATC's 545L capacitor has been, and continues to be, highly regarded by consumers in the electronic components industry due in part to the fact that it is orientation insensitive and suffers less insertion loss over a larger operable frequency. Upon information and belief, Presidio's customers, in and around the spring of 2007, began expressing interest in ATC's 545L capacitor. In response to this threat of increased competition and market loss, Presidio filed the May 17th patent infringement action with the intent to interfere with the existing relationships between ATC and its customers.

61. Presidio widely publicized its lawsuit against ATC by way of a News Release dated June 26, 2007 that it posted on its website in a deliberate attempt to harm the existing relationships between ATC and its customers. The News Release is attached hereto as Exhibit D and states in relevant part:

Presidio … filed suit on May 17, 2007 against American Technical Ceramics. The case relates to ATC's introduction and sale of its Ultra Broadband Capacitor product line 545L series. Presidio … has alleged willful infringement and seeks damages related to capacitors already sold by ATC and an end to all future sales of the 545L series products. … The recent June 18, 2007 announcement that AVX intends to acquire American Technical Ceramics will in no way deter Presidio Components, Inc. from enforcing its intellectual property rights.

62. As of the filing of this Counterclaim, the News Release was still posted on Presidio's website under "Hot Topics."

63. Upon information and belief, Presidio's May 17th lawsuit and June 26, 2007 News Release disrupted the sales relationships between ATC and its customers by raising concern among consumers of being involved in an imminent lawsuit and creating an overall chill in ATC customer confidence in the continued vitality of the 545L capacitors.

64. Upon information and belief, the aforesaid acts of Presidio caused ATC to experience a significant decline in sales of its 545L capacitors in the months to follow.

65. ATC has no adequate remedy at law.

COUNT FIVE

(False Marking)

66. ATC incorporates by reference paragraphs 1-65 above as though fully set forth herein.

67. Presidio admitted in Presidio's PICs dated December 11, 2007 (Exhibit C) that "none of claims 1-5, 16, or 18-19 [of the '356 patent] is embodied in Presidio Components, Inc.'s products."

68. Upon information and belief, none of Presidio's products practice any other claims of the '356 patent.

69. Presidio has and continues to mark upon, affix to, and use in advertising U.S. Patent No. 6,816,356 in connection with Presidio's Buried Broadband Capacitors and Integrated Broadband Bypass Capacitors. An advertisement from Presidio's website and its customer catalog for "Ceramic Capacitors for RF, Microwave & F/O Applications " are attached hereto as Exhibits E and F, respectively.

70. Upon information and belief, Presidio's sales of its Buried Broadband Capacitors and Integrated Broadband Bypass Capacitors are substantial.

71. Upon information and belief, Presidio lacks a reasonable belief that its Buried Broadband Bypass Capacitors and Integrated Broadband Bypass Capacitors are embodied in any claim of U.S. Patent No. 6,816,356.

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72. Upon information and belief, therefore, Presidio has falsely marked its Buried Broadband Capacitors and Integrated Broadband Bypass Capacitors with U.S. Patent No. 6,816,356 in violation of 35 U.S.C. § 292.

PRAYER FOR RELIEF

WHEREFORE, ATC requests the Court to enter judgment for ATC and against Presidio as follows:

A. Dismissing Presidio's Complaint in its entirety with prejudice;

B. Declaring that ATC has not and does not infringe (either literally or under the doctrine of equivalents), actively induce infringement, contributorily infringe, or willfully infringe any valid and enforceable claim of the `356 Patent;

C. Declaring that Presidio is not entitled to the relief prayed for in its Complaint, or any relief whatsoever;

D. Declaring that no damages or royalties are due or owed by ATC to Presidio for any of the acts alleged in the Complaint;

E. Declaring that the `356 Patent is invalid, not infringed, and/or unenforceable;

F. Awarding ATC all costs and fees, including reasonable attorneys' fees, incurred in connection with this action; and

G. Awarding such further relief as the Court may deem just and proper.

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DEMAND FOR JURY TRIAL

ATC demands a jury trial for all issues deemed to be triable by a jury.

Dated: May 28, 2008

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.

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CERTIFICATE OF SERVICE

I, the undersigned, certify and declare that I am over the age of 18 years, employed in the County of San Diego, State of California, and am not a party to the above-entitled action.

On May 28, 2008, I filed and served a copy of the following document(s):

ANSWER AND COUNTERCLAIM OF AMERICAN TECHNICAL CERAMICS CORP. IN RESPONSE TO PLAINTIFF'S COMPLAINT (w/ Exhibits)

by electronically filing the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following:

Miles D. Grant, Esq. **Grant & Zeko, APC** 1331 India Street San Diego, CA 92101	Attorneys for Plaintiff PRESIDIO COMPONENTS, INC. Email: mgrant@grantandzeko.com
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Executed on May 28, 2008, at San Diego, California.

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